

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
Room 210 Senate Building, State Capitol Complex
February 1, 2013**

Members Present: Rep. Keith Grover, House Chair
 Rep. Spencer Cox, House Vice Chair
 Sen. J. Stuart Adams
 Sen. Patricia W. Jones
 Sen. Aaron Osmond
 Sen. Howard A. Stephenson
 Sen. Jerry W. Stevenson
 Sen. John L. Valentine
 Rep. Derek E. Brown
 Rep. Jack R. Draxler
 Rep. Rebecca P. Edwards
 Rep. Don L. Ipson
 Rep. Dana L. Layton
 Rep. Kay L. McIff
 Rep. Maria H. Poulson
 Rep. Dean Sanpei
 Rep. Mark A. Wheatley

Members Excused: Sen. Stephen H. Urquhart, Senate Chair

Members Absent: Sen. J. Stuart Adams

Staff Present: Mr. Spencer Pratt, Fiscal Manager
 Ms. Angela Oh, Fiscal Analyst
 Lorna Wells, Secretary

A copy of related materials and an audio recording of the meeting can be found at
<http://le.utah.gov/asp/interim/Commit.asp?Year=2013&Com=APPHED>

A list of visitors and a copy of handouts are filed with the committee minutes.

1. **Call to Order.** Co-Chair Grover called the meeting to order at 8:15 a.m.
2. **Subcommittee Overview, Spencer Pratt and Angela Oh**

Mr. Pratt explained that he and Ms. Oh are staff to this Committee. They are staff to the Senate, the House, and both parties. He explained the on-line COBI Quick Start Guide which gives five years of budget history. He explained the Table of Contents and how to locate specific budget information for each institution. He showed how to locate Issue Briefs and Budget Briefs as well as other funding information. Mr. Pratt also distributed the notecard entitled "Asking Key Questions: A Legislator's Guide to Using Performances Information."

Mr. Pratt referred Committee members to Tab 5 in the Green Budget Binder. He discussed the Utah System of Higher Education Budget Brief. He specifically discussed the Operations and Maintenance Funding for the USHE systems. He explained that when a new building is approved, O & M is immediately approved and added to the institution's budget. That O & M is then backed out of the budget each year until the building is actually functional. There are two buildings at SLCC and one at USU that staff is recommending one-time funding reductions.

Sen. Stephenson said the funding procedure for O & M has been very successful. He asked if anything similar could be done for Alterations, Renovations, and Improvements (AR & I).

Mr. Pratt said AR & I is the purview of the Infrastructure & General Government Appropriations subcommittee (AIGG). He reported that statute requires that 1.1 percent of the state's total facility value is appropriated to an on-going capital improvement budget every year. Because of the down-turn in the economy in FY 2009, the statute was amended to .9 percent and perhaps even further in down budget years. There is also a statute that no new buildings can be approved until there is enough funding for a capital improvement budget of 1.1 percent. Perhaps that amount is on the short side.

Sen. Stephenson said that the capital improvement procedure for the Church of Jesus Christ of Latter-day Saints (L.D.S.) is considered optimal. He wondered if Mr. Pratt was aware of the A R & I funding percentage for their facilities.

Mr. Pratt answered that he was not aware of the L.D.S Church's policy. The allocation of state funding is managed by Division of Facilities Construction and Management (DFCM).

Sen. Stephenson asked that if this funding is held at an institutional level, does this give institutions an incentive not to maintain their buildings. If A R & I funding is built into their budget, they might manage it better. He mentioned to the Committee that maybe the Executive Appropriations Committee could deal with this on a global basis.

Mr. Pratt continued with the USHE Budget Brief stating that if Exec. Approp. determines that additional funding is available, the Analyst has six recommendations (\$45,500,100) as shown on Page 2 of the Budget Brief. Page 3 contains the Governor's FY 2014 budget recommendation of \$48,200,000 ongoing and \$2,350,000 one-time for various initiatives in the USHE system. Mr. Pratt discussed the fact that each institution has a separate line item called Education and General (E&G) which covers 95 percent of expenses on campus. Page 4 of the Budget Brief shows the distribution of the E & G expenditures. He noted that the largest area is for instruction. He also mentioned that this has increased over time.

Ms. Oh referred Committee members to the Utah College of Applied Technology (UCAT) Budget Brief which is under Tab 15 of the binder. She mentioned that the total FY 2013 appropriated budget for UCAT was \$57,974,600 with \$18,651,900 from the General Fund and \$32,961,300 from the Education Fund. Should additional funding be allocated to the Committee, the Analyst would recommend \$9,750,000 from the General Fund for campus capacity at the eight regional campuses. She discussed the budget history for the entire

UCAT system and the FY 2014 funding mix. Ms. Oh mentioned that Page 2 of the Budget Brief shows the accountability detail including membership hours, student headcount, and certificates awarded. Ms. Oh referred Committee members to the Budget Detail and Detail Table on Pages 3 and 4.

3. Presentation on the effect LDS missionary age change is expected to have on enrollments and tuition revenue - Commissioner Dave Buhler

Comm. Buhler reported that as soon as this announcement was made the Commissioner's office realized that this change would definitely have a significant short-term impact on higher education. At first there will be a dip in enrollment and then there will be a surge in enrollment. He distributed the report from the Commissioner's Office to Board of Regents. The impacts will vary depending on the institution. The estimated revenue cut for each institution will be between one and ten percent, depending on the mix of L.D.S. students as well as the average age of the students. He reported that each college president has taken this change very seriously and they are taking steps to remedy the situation. Comm. Buhler mentioned the fact that for the past four years, as a system, they have gone from 63 percent state funding and 37 percent tuition; to 49 percent state funding and 51 percent tuition. That percentage also varies among institutions. When there is an enrollment dip, if half of the money is coming from tuition, that feels very much like a budget cut.

Pres. Stanley Albrecht – Utah State University (USU). Pres. Albrecht introduced Mr. James Morales, Vice President of Student Services. After the announcement from the LDS Church, Mr. Morales immediately set up a task force to look into the impact at USU and to identify ways to roll out strategies to offset some of the loss. As USU has analyzed this situation, the worst case scenario is that over the next two years the budgetary impact could be as much as \$19 million. This would be similar to the very deepest budget cuts that occurred back in 2009. This amount also includes a loss of revenue from housing, bookstore revenues, and food services. USU appreciates the Committee identifying this as an issue to be considered. USU has moved very quickly and aggressively to incorporate strategies to help alleviate the situation.

Mr. Morales stated the estimated impact is about 1,900 fewer students, primarily on the Logan campus and the Eastern Utah Campus. The impact on the other regional campus would be significantly less. One of the strategies they would like to use would be to recruit students from out-of-state markets. For example, recruiting transfer students who would complete their degrees by the time their cohorts would return from serving missions. He mentioned that some of these students would be on waivers and some would not. The out-of-state tuition waiver is critical. They would also recruit out-of-state freshmen. USU is enjoying stronger branding and name recognition. They have specifically recruited in California, Colorado, and other neighboring states.

Rep. Brown asked what the immediate impact is for this semester. He mentioned that he teaches a class at Brigham Young University and after the announcement, roughly 25 percent of the women in his class immediately decided to serve missions and not come back to BYU for this current semester.

Mr. Morales reported that 86 percent of the students at USU are L.D.S. For spring semester, they are losing 381 head-count students and 280 FTE, which results in about a \$1.5 million loss. Pres. Albrecht stated that there wasn't sufficient time to do anything about this spring semester. The efforts described by Mr. Morales are looking to offset for the next fall.

Sen. Stephenson said he was encouraged by the strategies discovered to bridge the gap. He asked if there were other things that need to be done to permanently change the way higher education deals with this to take an even more serious approach. He encouraged the Committee to think outside the box rather than just filling students and re-configuring what is done.

Pres. Albrecht reminded the Committee that these cuts are in addition to the \$25.2 million in recent budget reductions over the last four years. They have been working very aggressively to address this situation to do exactly what Sen. Stephenson was referring to including distance education, video conferencing and a variety of other things.

Rep. Poulson asked if the Commissioner's office has determined that this is a more significant change for the women than the men. It is harder to predict how many women will determine to leave and then return to further their education. She asked if there was an analysis completed comparing the men to women.

Mr. Morales indicated that the impact is more significant. As the enrollment task force looked at this, they created a sub-group looking specifically at the number of women compared to men. This is especially significant in programs that typically enroll more female students. The initial projection is that as many as 70 percent of these students are female versus male. The actual numbers are not yet available. They are putting emphasis on making sure to encourage these female students that as they return they re-enroll and complete their degree. This message is also being communicated by the L.D.S. Church. Pres. Albrecht stated that the impact for female students is much more significant. In the past, experience has shown that that five percent of young L.D.S. women go on missions; the estimate is that this will increase to 50 percent. The longer-term interest is to ensure that they return to USU.

Sen. Jones asked if the Board of Regents and College Presidents have considered allowing a temporary out-of-state tuition waiver during this period of time. She also asked if there will there be a commensurate surge when these students come back perhaps to freshman and sophomore class.

Pres. Albrecht answered that there is currently a bill that would lift caps on out-of-state waivers and adds a grandparent legacy to the legacy scholarship. Mr. Morales reported that for the enrollment surge, if they are successful in recruiting transfer students who will be completing in a couple of years, and then more out-of-state freshmen that will be attending USU for a longer period of time, and international students. The total number that they hope to enroll would be 800 students to offset the 1,900 student loss. On average these 800 students will be paying a higher tuition. This will mean that the surge will not be as significant. They are trying to attract these students with the strength of their academic

programs and the great residential experience. Many of these students are in states where their own in-state tuition is higher than a discounted or even out-of-state tuition at USU.

Sen. Stevenson expressed concerned about opening the pipeline to too many students. A situation may be created where there are too many students and not enough space.

Pres. Albrecht explained that the USU task force is definitely working on this issue. They would like to find a compromise allowing them to offset the budget loss without creating a problem in two or three years. The current legislation includes provision that would allow institutions only to recruit high-end students above the average admission index.

Rep. Cox reported that the L.D.S. Church put out press release two-weeks ago that stated that prior to this change, the male to female missionary ratio was 85 percent male to 15 percent female. They reported that since change, the ratio is 50/50 and that appears to be holding.

Sen. Stephenson supports this tuition waiver for degrees that have high placement rates. He does not want to bridge the gap for degrees that don't have high placement rates. He hopes that this change will allow institutions to reduce offerings for those types of degrees that don't have high job placement.

Comm. Buhler indicated that they enlist the Committee's support to encourage these young people to apply to the institution of their choice, become admitted, and then defer while serving their mission. The L.D.S. church has sent out letters to bishops and prospective missionaries encouraging them to apply and become accepted at an institution. This will help them not worry about this while they on the mission. This will make their transition back to school go more smoothly.

Pres. Scott Wyatt – Snow College. This change has been difficult for all colleges in the state. At Snow College, they have 4,600 students from all over the state. About 90 percent of their students are L.D.S. The average age is 19.9, and more than half of their students are freshman. This means this change will have a dramatic impact on Snow College. They project that in the next year, they will lose 750 tuition-paying students. In the past they have seen a dramatic increase in high-school students. However, these are non-paying students. There is an enormous amount of enthusiasm about the change. He reported that in a L.D.S. Young Single Adult Ward with which he is affiliated, by the end of the year, 25 percent of their ward members will be gone; more than half are young women. They would all have been at Snow next fall if the change had not been made. The projected loss is about 7.5 percent total budget cuts, plus associated cuts in all of the auxiliary services. This will amount to about \$2.5 million. This is a far more significant cut than any of the recent budget cuts. Pres. Wyatt is confident that they can work through this. He mentioned that they have had a budget cut every year for the six years he has been president. They are trying to further efficiencies, work on retention, to grow international students. They will use this as an opportunity to be a much better institution.

Sen. Stephenson said that Pres. Wyatt has described problem, he asked if there is a solution.

Pres. Wyatt said that the leading solution is layoffs and program closures. They don't have the luxury of mitigating this challenge with juniors, seniors or transfer students. The long-term solution is to continue to work on retention measures and efficiency measures. Last year, Snow College was ranked sixth in the nation, out of 1200 two-year colleges, for retention, graduation, completion rates.

Rep. McIff mentioned that this change is particularly acute for Snow College. He asked if there is a potential problem in losing students who, after returning from their mission, may opt to bypass the junior college and go right to a university.

Pres. Wyatt answered that this is a concern. He is confident that Snow College can work through this, it will require changes in recruiting. He stated that it becomes a three-year problem.

Rep. Edwards asked if the reduced enrollment will have an even greater impact on the surrounding community.

Pres. Wyatt said this is definitely the case. If 750 students don't come, that means there are 750 housing units not filled, and it ripples through every piece of the community. He stated that it will have a bigger impact on the Ephraim campus rather than the Richfield campus. Snow College is the biggest employer in the community.

Rep. Cox commended Pres. Wyatt on his leadership and his service to Snow College especially at such a difficult time.

4. Issue Brief – USHE 66% Goal – Mr. Spencer Pratt

Mr. Pratt reminded Committee members that all of the materials will be available on-line. He reported that all Issue Briefs are behind Tab 3 in the Budget Binder. He discussed Page 11 which is the 66 Percent Goal Issue Brief. This goal is the result of a study that determined by the year 2020, two-thirds of Utah's adults should have some post-secondary degree or certificate to meet the workforce needs and ensure future economic posterity.

Mr. Pratt explained that the State Board of Regents has requested, and the Governor has recommended, \$20 million in ongoing funding as the first step toward this goal. This \$20 million would be matched by institutions. FY 2014 would be the first year of working toward this goal. Additional capacity in the STEM programs (Science, Technology, Engineering and Math) and health occupations would be emphasized. Mr. Pratt explained the \$20 million breakout by institution.

Sen. Stephenson distributed two reports to Committee members: 1) "Five Ways that Pay Along the Way to the B.A." and 2) "Not All College Degrees are Created Equal." Both reports were prepared by Dr. Carnevale from Georgetown University. Sen. Stephenson encouraged Committee members to read these two reports. They emphasize the importance of obtaining degrees in areas where students can find jobs. They discuss the unemployment rates for different degrees.

Rep. Poulson spoke in behalf of the liberal arts. Many professions recommend a liberal arts degree. For example it has been determined that the most successful students in medical school obtained bachelor degrees in music.

Rep McIff mentioned that employers often want employees who have a broader knowledge. Employers can do on the job training for specific skills that are needed. They need employees who come with fundamental educational tools.

5. Issue Brief – UCAT Campus Capacity – Ms. Angela Oh

Ms. Oh explained that the UCAT Campus Capacity Issue Brief, located under Tab 3 of the binders. She referred to page 91. Should additional funding be made available, the Analyst would recommend \$9.75 million from the General Fund to increase campus program capacity. Specific breakdowns for each campus were discussed

Sen. Valentine stated that he is unsure why custom-fit training is not counted as part of the statistical base. It is post-high school and it is leading to employment, it is the kinds of things that students are encouraged to do. It was identified at the last meeting that the counting is not coming forward. If this training was counted, the state could be closer to the 66 percent, if this is defined as post-high school training that leads to employment rather than some type of a certificate that has a longer course of study. There were 6,000 certificates and 40,000 students and a 97 percent completion rate. He asked what that completion meant. He challenged the USHE institutions and UCAT campuses to start measuring any training that is done post-high school that leads to employment.

6. Issue Brief – USHE Mission Based Funding and Performance Based Funding

Mr. Pratt reported that this Issue Brief is on Page 13. He discussed a bill that Sen. Urquhart sponsored a couple of years ago called “Higher Education Mission-Based Funding. This puts an emphasis on the mission of each institution, rather than just enrollment. It looks at the individual mission at each institution and factors that into the Board of Regents budget request. No funding was approved the first year, but last year the Legislature approved \$4 million for mission-based funding which was allocated to the institutions. This year the Board of Regents has requested \$8 million for mission-based funding. The Governor has recommended a total of \$11 million split between what is mission-based funding and equity funding. This will be discussed more in the future.

Mr. Pratt stated that should additional funding be made available, the Analyst would recommend that \$5.5 million would go towards a combination of mission-based funding and equity. The breakout is listed at the bottom of Page 13 of the Issue Brief.

Performance Based Funding – Mr. Pratt explained that this Issue Brief is on Page 15. The Higher-Education Subcommittee met in an interim meeting in August of last year. A portion of new funding is allocated towards results and improvements that an institution makes. An article on the NCSL website showed that there are seven states that have moved towards performance base funding. During the meeting, the Committee asked Mr. Pratt to

do a follow-up report to contact those states about the results, was the process really working, to determine what is really happening. Mr. Pratt contacted all seven states and got responses from four states: Louisiana, Ohio, Tennessee, and Washington. Of those four states, the results are mixed. Washington has the best results, all of the states are in various stages of implementation. Tennessee stated that 100 percent of new funding is performance based. They have a very complicated formula trying to determine every aspect. Mr. Pratt reported that Washington's policy is focused just on community colleges. They are having better results; and showing improvement in the way the college is scoring as well as the students who are attending those colleges. He explained that this Issue Brief is the follow-up to the request from the August interim meeting

7. Issue Brief – University of Utah Infrastructure – Mr. Spencer Pratt

Mr. Pratt explained that the University of Utah Infrastructure Issue Brief is on Page 21. Two years ago the University of Utah brought to the attention of the Legislature some significant infrastructure needs on campus, including electrical problems, steam line problems and others. The total cost to renovate the situation was \$99 million. It was put off the first year, but last year the Legislature approved \$22 million in the capital development budget and a portion of the capital improvement budget was also allocated to address the situation. There is still \$40 – \$60 million that needs to be addressed. The University of Utah is proposing to issue a revenue bond to get enough funds to finish the renovations and then raise their rates to provide the revenue stream to pay off the bond. There is a \$3.9 million request in the Regents' budget to cover those rate increases. If the State gives the U of U more money, the revenue bond could be paid off. The Analyst recommends that if a bond is approved, the state could issue a General Obligation (G.O.) bond at a more favorable rate. In the six-year time frame that the state usually pays off the G.O. bonds, the Analyst would recommend that \$7 million be allocated to issue the bond and use the \$7 million to pay the bond off.

Sen. Valentine asked what the revenue source is to pay off the bonding for a revenue bond.

Mr. Pratt said that the U of U would raise would raise their internal utility rates, so the rate that they charge to each department and other entities on campus. They are asking the state to come up with \$3.9 million to pay those increased rates.

8. Utah Student Association – Lauren Anderson

Ms. Anderson stated that she is student coordinator for the Utah Student Association (U.S.A.) She introduced Aaron Starks, who is the President of the U.S.A. and Student body President at Salt Lake Community College. Ms. Anderson discussed the structure and purpose of the U.S.A. Ms. Anderson discussed the mission regarding the rights of students in Utah. She mentioned that there are 11 student body presidents (including Westminster and BYU) who constitute the Executive Board of the U.S.A. They serve as the student voice for their respective institutions. The Executive Board also elects a President, an Executive Vice President and a Legislative Vice-President. The U.S.A. selects the three final candidates for student regent position. That student regent attends the U.S.A.

executive board meetings as well as the Board of Regents meetings. The Executive Board also selects a Coordinator to serve as a contact point or a liaison between the U.S.A. and the Commissioner's Office.

Mr. Starks stated that the U.S.A. is a liaison between State Legislature, the Commissioner's Office, the Board of Regents and the students. They have made great progress this year regarding the increase in the Stafford loan rates. They contacted each state representative encouraging them to keep the loan interest rates at their current level. They had a successful voter registration drive, which was facilitated by the Lieutenant Governor's office. They had over 10,000 students register to vote this past year. They are currently working with Education First and Prosperity 2020. He stated that March 1 would be Higher Education day. One of their main priorities this year is to promote college completion.

Sen. Stephenson thanked students for the involvement in assisting students in being civically involved. He asked about the efforts of the U.S.A. regarding educating students about choice in their post-secondary decisions. He asked if they were aware of the Utah Futures Initiative and whether or not it was successful in helping students make informed choices regarding their education and how to pay for that education

Mr. Starks has encouraged student leaders to host seminars to take advantage of funding sources and scholarships as well as student loans. Mr. Starks and Ms. Anderson both felt that the Utah Futures Initiative was a great tool, but that awareness of the tool is lacking. Mr. Starks discussed the additional educational opportunities that are provided for students who may be struggling. He specifically described the math emporium at SLCC, which is a self-paced program

Sen. Osmond stated that he was very impressed with both presenters; they were very articulate in their presentation. He is excited to see their leadership and confidence

9. Adjourn

MOTION: Rep. Brown move to adjourn. The motion passed unanimously. Co-Chair Cox adjourned the meeting at 9:40 a.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. Stephen H. Urquhart, Senate Chair

Rep. Keith Grover, House Chair